Instructions for Form 540A — California Resident Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 2005**, and the California Revenue and Taxation Code (R&TC).

Before You Begin

Complete your federal tax return (Form 1040, Form 1040A, or Form 1040EZ) before you begin your California Form 540A. You will use information from your federal income tax return to complete your Form 540A. Complete and mail Form 540A by April 16, 2007. If unable to mail your return by the due date, see page 2 for more information.

Tip: You may qualify for the federal earned income credit. See page 2 for more information. No comparable state credit exists.

Name(s) and Address

Is there a label with your name and address on the front of your booklet?

Yes. Attach the label to your completed return. Verify your label is correct. Cross out any errors and print the correct information on the label.

No. Print your first name, middle initial, last name, and address in the spaces provided at the top of Form 540A.

Private Mail Box
Include the Private Mail Box (PMB) in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street PMB 123.

Foreign Address
Enter the information in the following order: City, Country Province/Region, and Postal Code. Follow the country's practice for entering the postal code. **Do not** abbreviate the country name.

Prior Name
If you filed your 2005 tax return under a different last name, write the last name **only** from your 2005 return.

Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)

Enter your SSN in the spaces provided. To protect your privacy, your SSN is not printed on your label. If filing a joint return, enter the SSNs in the same order as the names.

Note: If you do not have a SSN because you are a nonresident or resident alien for federal tax purposes, and the IRS issued you an ITIN, enter the ITIN in the space for the SSN. An ITIN is a tax processing number issued by the IRS to foreign nationals and others who have a federal tax filing requirement and do not qualify for a social security number. It is a nine-digit number that always starts with the number 9.

Filing Status

Fill in only one of the circles for line 1 through line 5. Enter the required additional information if you filled in the circle on line 3 or line 5. For filing status requirements see page 3.

Use the same filing status for California that you used for your federal income tax return.

Exception: If you file a joint return for federal, you may file separately for California if either spouse was:

- An active member of the United States armed forces or any auxiliary military branch during 2006; or
- A nonresident for the entire year and had no income from California sources during 2006.

Caution – Community Property States: If the spouse earning the California source income is domiciled in a community property state, community income will be split equally between the spouses. Both spouses will have California source income and they will not qualify for the nonresident spouse exception.

If you had no federal filing requirement, use the same filing status for California you would have used to file a federal income tax return.

Note: If you filed a joint return and either you or your spouse was a nonresident for 2006, you must file the Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return.

Tip: **CalFile or e-file and you can close this book now!** e-file software assists you in determining if you qualify to claim the head of household filing status. Most software companies also include the Head of Household Schedule (4803e), which assists in verifying your eligibility to the FTB. Go to our Website at **www.ftb.ca.gov**.

Exemptions

Line 6 – Can be Claimed as Dependent

601

Fill in the circle on line 6 if someone else can claim you as a dependent on his or her tax return, even if he or she chooses not to.

Line 7 – Personal Exemptions

Did you fill in the circle on line 6?

No Follow the instructions on Form 540A, line 7.

Yes Ignore the instructions on Form 540A, line 7. Instead, enter in the box on line 7 the amount shown below for your filing status:
- Single or married filing separately, enter -0-;
- Head of household, enter -0-;
- Married filing jointly and both you and your spouse can be claimed as dependents, enter -0-; or
- Married filing jointly and only one spouse can be claimed as a dependent, enter 1.

Caution: Do not claim this credit if someone else can claim you as a dependent on his or her return.

Line 8 – Blind Exemptions

The first year you claim this exemption credit, attach a doctor's statement to the back of Form 540A indicating you or your spouse are visually impaired. Visually impaired means not capable of seeing better than 20/200 while wearing glasses or contact lenses, or if your field of vision is not more than 20 degrees.

Caution: Do not claim this credit if someone else can claim you as a dependent on their return.

Line 9 – Senior Exemptions

If you were 65 years of age or older by December 31, 2006*, you should claim an additional exemption credit on line 9. If you are married, each spouse 65 years of age or older should claim an additional credit. You may contribute all or part of this credit to the California Seniors Special Fund. See page 59 for information about this fund.

*If your 65th birthday is on January 1, 2007, you are considered to be age 65 on December 31, 2006.

Caution: Do not claim this credit if someone else can claim you as a dependent on their return.

Line 10 – Dependent Exemptions

To claim an exemption credit for each of your dependents, write each dependent's name and relationship to you in the space provided. If additional space is needed, attach a separate sheet of paper. The persons you list as dependents must be the same persons you listed as dependents on your federal income tax return. Multiply the number you entered by the pre-printed dollar amount and enter the result.

Line 11 – Total Personal, Blind, and Senior Exemptions

Enter the total dollar amount of all exemptions, personal and dependents.

Taxable Income and California Income Adjustments

Refer to your completed federal income tax return to complete line 12a and line 12b.

Line 12a – State Wages

Enter the total amount of your state wages from each of your Form(s) W-2, box 16 or the CA Sch W-2, line C.

If you received wages and have no Form W-2, see "Filing your return" on page 19.

Line 13 – California Income Adjustments

California does not tax certain types of income that are taxable on your federal return.

Line 13a – State Income Tax Refund

Enter the amount of any state income tax refund shown on your federal Form 1040, line 10. If you filed Form 1040A or Form 1040EZ, enter -0-.

Line 13b – Unemployment Compensation

Enter the total of any unemployment compensation and/or Paid Family Leave Insurance benefits reported on federal Form(s) 1099-G and shown on your federal return. These types of income are not taxed by California and should be included on line 13b and in the total for line 13g.

Line 13c – Social Security Benefits (and Tier 1 or Tier 2 Railroad Retirement Benefits)

- Enter the amount of U.S. social security benefits or equivalent Tier 1 railroad retirement benefits reported on federal Form 1040A, line 14b or Form 1040 line 20b.
- Tier 1 (non-social security equivalent) and Tier 2 railroad retirement benefits included in the amount on federal Form 1040A, line 12b or Form 1040, line 16b.

Note: Do not include any other pension amounts on this line.

If you filed Form 1040EZ, enter -0-.

Line 13d – California Nontaxable Interest or Dividend Income

California does not tax interest earned from:

- United States savings bonds;
- United States Treasury bills, notes, and bonds; and
- Bonds or obligations of United States territories, and government agency obligations specifically exempted by federal law.

Enter only the amount of interest that you received from these sources and that you included in the amount reported on your federal Form 1040A, line 8a; Form 1040, line 8a; or Form 1040EZ, line 2.

Interest from municipal or state bonds from a state other than California: This interest is taxed by California. You may not use Form 540A. Use Form 540, e-file, or CalFile.

Interest from Federal National Mortgage Association (Fannie Mae) Bonds, Government National Mortgage Association (Ginnie Mae) Bonds, and Federal Home Loan Mortgage Corporation (FHLMC) securities: This interest is taxed by California. Do not enter it on line 13d.

Exempt-interest dividends from mutual funds: Certain mutual funds are qualified to pay "exempt-interest dividends" if **at least 50%** of their assets consist of tax-exempt government obligations. The portion of the dividends that are tax-exempt will be shown on your annual statement from the mutual fund. If the amount of California tax-exempt interest is more than the amount of federal tax-exempt interest, enter the difference on line 13d. If the amount of California tax-exempt interest is less than the amount of federal tax-exempt interest, you may not use Form 540A. Use Form 540, e-file, or CalFile.

Line 13e – California Individual Retirement Arrangement (IRA) Distributions

Differences may exist between the taxable amounts of federal and California IRA distributions, pensions, and annuities. Enter any differences for line 13e and line 13f.

Note: You cannot use Form 540A if you have Roth IRA conversions or distributions. Use Form 540, e-file, or CalFile.

The method of taxing IRA distributions is generally the same for California and federal purposes. However, there may be significant differences in the taxable amount depending on when you made your contributions.

The maximum IRA contribution allowed as a deduction for California was less than the maximum amount allowed for federal for years 1975 and 1982 through 1986. If you made contributions during these years, report the difference between the deduction you took for federal and the deduction you took for California on this line. For more information, get FTB Pub. 1005, Pension and Annuity Guidelines. See "Order Forms and Publications" on page 67.

Report the difference between your California and your federal taxable IRA distributions on line 13e. Attach Form 1099-R to your Form 540A if tax was withheld.

Line 13f – Non-taxable Pensions and Annuities

Generally, you will not make any adjustments on this line. You should not make an adjustment solely because the pension was earned in another state. Federal and State tax laws require California residents to pay state income tax on all taxable pensions, regardless of where they were earned. However, California law treats railroad retirement benefits differently. If you received tier 2 railroad retirement benefits, tier 1 (non-social security equivalent) (included in the amount on federal Form 1040A, line 12b or Form 1040, line 16b), or partially taxable distributions from a pension plan, you may need to make the adjustment described on this page.

If you received a federal Form RRB 1099 – R for railroad retirement benefits and included all or part of these benefits in federal adjusted gross income on line 12b, enter the taxable benefit amount on line 13f.

If you began receiving a retirement annuity between July 1, 1986, and January 1, 1987, and you elected to use the three-year recovery rule for California, make an adjustment because your federal taxable amount is less than your California taxable amount. Figure the difference between the gross distribution shown on your Form 1099-R, box 1 and the taxable amount shown in box 2a. Enter the difference in parentheses on line 13f. For example: "(12,325)."

If you received a lump-sum distribution from a profit sharing or retirement plan and choose the 10-year averaging method you may pay less tax on the distribution. To use this method file Form 540. See the instructions for Form 540 and get Schedule G-1, Tax on Lump-Sum Distributions (not in this booklet), for more information. See "Order Form and Publications" on page 67.

California law now conforms to certain provisions of the Internal Revenue Code related to pension plans and deferred compensation, as those provisions apply for federal purposes including amendments to the Internal Revenue Code that may be enacted in the future.

Line 13g – Total California Adjustments

Combine line 13a through line 13f. If the result is less than zero, enter the amount in parentheses, on Form 540A, Side 1, line 13g. For example, "(13,325)."

Line 14 – California Adjusted Gross Income

Subtract line 13g from line 12b. If line 13g is in parentheses, treat the amount as a positive number and add it to the amount on line 12b. Enter the result on line 14.

Line 15 – California Itemized Deductions or California Standard Deduction

Decide whether to itemize your actual charitable contributions, medical expenses, interest paid, taxes, etc., or take the standard deduction. Your California income tax will be less, if you take the **larger** of:

- Your California itemized deductions; or
- Your California standard deduction.

If you are married and file a separate return, you and your spouse must either both itemize your deductions, or both take the standard deduction.

Also, if someone else can claim you as a dependent, claim the greater of the standard deduction or your itemized deductions. To figure your standard deduction, see the California Standard Deduction Worksheet for Dependents on page 9.

Itemized deductions. Figure your California itemized deductions by completing the California Itemized Deductions Worksheet on page 9. Enter the result on Form 540A, line 15.

Note: If you did not itemize deductions on your federal income tax return but will itemize deductions for your California Form 540A, first complete a federal Schedule A, Itemized Deductions. Then complete the California Itemized Deductions Worksheet on page 9. Do not attach federal Schedule A to your Form 540A.

Standard deduction. Find your standard deduction on the California Standard Deduction Chart for Most People on this page unless you filled in the circle on Form 540A, line 6. In that case, use the California Standard Deduction Worksheet for Dependents on page 9.

California Standard Deduction Chart for Most People

Do not use this chart if someone else can claim you (or your spouse) as a dependent on his or her tax return.

Your Filing Status	Enter On Line 15
1 – Single	$3,410
2 – Married filing jointly	$6,820
3 – Married filing separately	$3,410
4 – Head of household	$6,820
5 – Qualifying widow(er)	$6,820

Note: The California standard deduction amounts are less than the federal standard deduction amounts.

Note: If you filled in the circle on Form 540A, line 6, enter your wages, salaries, and tips on the California Standard Deduction Worksheet for Dependents, line 1 below. If you have earned income other than wages, then file Form 540 and use the standard deduction worksheet for that form.

California Standard Deduction Worksheet for Dependents

Use this worksheet only if someone else can claim you (or your spouse) as a dependent on his or her tax return.

1. Enter your total wages, salaries, and tips from all your Form(s) W-2, box 1 or CA Sch W-2, line C. (You may also refer to federal Form 1040EZ, line 1; Form 1040A, line 7; or Form 1040, line 7.) . . . . 1__________
2. . . . . 2 $300.00
3. Add line 1 and line 2. Enter total here . . . . 3__________
4. Minimum standard deduction 4 $850.00
5. Enter the **larger** of line 3 or line 4 here . . . . 5__________
6. Enter the amount shown for your filing status:
   - Single or married filing separately, enter $3,410
   - Married filing jointly, head of household, or qualifying widow(er) enter $6,820 . . . . 6__________
7. **Standard deduction.** Enter the **smaller** of line 5 or line 6 here and on Form 540A, line 15. . . . . 7__________

California Itemized Deductions Worksheet

1. Federal itemized deductions: Add the amounts on federal Schedule A (Form 1040), lines 4, 9, 14, 18, 19, 26, and 27. . . . . 1__________
2. Add the following amounts from federal Schedule A and enter on line 2:
   - Line 5, state and local income tax or general sales tax: __________
   - State Disability Insurance (SDI): __________
   - Line 8, foreign income taxes: __________ 2__________
3. Subtract line 2 from line 1. This amount is your total California **itemized deductions** . . . . 3__________
4. Is the amount on Form 540A, line 12b, more than the amount shown below for your filing status?
   Single or married filing separately $150,743
   Married filing jointly or qualifying widow(er). $301,491
   Head of household $226,119
   Yes Continue to line 5 of this worksheet
   No Enter on Form 540A, line 15, the larger of:
   - The amount on line 3; or,
   - Your standard deduction* shown below:
     Single or married filing separately $3,410
     Married filing jointly, head of household, or qualifying widow(er). $6,820

   Do not complete the rest of this worksheet.
5. Using California amounts, add the amounts on federal Schedule A, line 4, line 13, line 19, and any gambling losses included on line 27 . . . . . . 5__________
6. Subtract line 5 from line 3. . . . . 6__________
   Note: If zero, skip line 7 through line 12, enter the amount from line 3 on line 13 and continue to line 14.
7. Multiply line 6 by 80% (.80) . . . . 7__________
8. Amount from Form 540A, line 12b . . . . 8__________
9. Enter the amount shown below for your filing status . . . . 9__________
   Single or married filing separately. $150,743
   Married filing jointly or qualifying widow(er) $301,491
   Head of household $226,119
10. Subtract line 9 from line 8. .10__________
    Note: If zero or less, skip line 11 and line 12, enter the amount from line 3 on line 13 and continue to line 14.
11. Multiply line 10 by 6% (.06) . . . . .11__________
12. Compare line 7 and line 11. Enter the smaller amount here . . . . .12__________
13. Total itemized deductions. Subtract line 12 from line 3. . . . . .13__________
14. Enter on Form 540A, line 15, the larger of:
    The amount on line 13; or,
    Your standard deduction* shown below:
    Single or married filing separately. $3,410
    Married filing jointly, head of household, or qualifying widow(er) $6,820

***Standard Deduction for Dependents**

If someone else can claim you as a dependent use the standard deduction amount from line 7 of the "California Standard Deduction Worksheet for Dependents" on this page instead of the standard deduction amount shown above.

Tax and Credits

First figure your tax. Be sure to use the correct filing status and taxable income amount. Then verify you qualify to claim your credits.

Line 17 – Tax

If your taxable income on line 16 is:

- $100,000 or less, use the tax table beginning on page 21. Use the correct column for your filing status.
- Over $100,000, use the tax rate schedules on page 26. Use the correct tax rate schedule.

Note: To prevent possible delays in processing your return or refund, enter the correct tax amount on line 17. To automatically figure your tax or to verify your tax calculation, use our online tax calculator by going to our Website at **www.ftb.ca.gov**.

Line 18 – Exemption Credits

Use your exemption credits to reduce your tax. If your federal adjusted gross income (AGI) on line 12b is more than the amount shown below for your filing status, your credits will be limited.

If your filing status is:	Is Form 540A, line 12b more than:
Single or married filing separately	$150,743
Married filing jointly or qualifying widow(er)	$301,491
Head of household	$226,119

Yes Complete the AGI Limitation Worksheet on this page.
No Follow the instructions shown on Form 540A, line 18.

AGI Limitation Worksheet

a Enter the amount from Form 540A, line 12b. . . . . a__________
b Enter the amount for your filing status on line b . . . . . b__________
  Single or married filing separately $150,743
  Married filing jointly or qualifying widow(er) $301,491
  Head of household $226,119
c Subtract line b from line a. . . . . c__________
d Divide line c by $2,500 ($1,250 if married filing separately) . . . . d__________
  Note: If the result is not a whole number, round it to the next higher whole number.
e Multiply line d by $6 . . . . e__________
f Add the numbers from the boxes on Form 540A, line 7, line 8, and line 9 (not the dollar amounts) . . . . f__________
g Multiply line e by line f . . . . g__________
h Enter the total dollar amount for line 7, line 8, and line 9 . . . . h__________
i Subtract line g from line h. If zero or less, enter -0- . . . . i__________
j Enter the number from the box on Form 540A, line 10 (not the dollar amount) . . . . j__________
k Multiply line e by line j . . . . k__________
l Enter the dollar amount (that you filled in) from Form 540A, line 10 . . . . l__________
m Subtract line k from line l. If zero or less, enter -0- . . . . m__________
n Add line i and line m. Enter the result here and on Form 540A, line 18. . . . . n__________

(continued on next column)

Line 19 – Nonrefundable Renter's Credit

Did you pay rent for at least six months in 2006 on your principal residence located in California?

Yes You may qualify to claim this credit which may reduce your tax. Complete the qualification record on page 57.

No Go to line 20.

Line 22 – Mental Health Services Tax

If your taxable income is more than $1,000,000, compute the Mental Health Services Tax below:

A.	Taxable income from Form 540A, line 16	____________
B.	Less	$(1,000,000)
C.	Subtotal	____________
D.	Multiply line C by 1%	x .01
E.	Mental Health Service Tax – Enter this amount on Form 540A, line 22	____________

Overpaid Tax or Tax Due

To avoid a delay in the processing of your return, enter the correct amounts on line 25 through line 36.

Line 25 – California Income Tax Withheld

205

Enter the total California income tax withheld on your:
- Form(s) W-2, box 17 or CA Sch W-2, box 17
- Form(s) W-2G, box 14
- Form(s) 1099-R, box 10
- Form(s) 1099-MISC, box 16

Caution: Do not include city or county tax withheld or tax withheld by other states.

Note: The Franchise Tax Board verifies all withholding claimed from a Form W-2, CA Sch W-2, W-2G, 1099-MISC, or 1099-R with the Employment Development Department.

If you received a Form 1099 showing California income tax withheld, include the amount withheld in the total on line 25 and attach a copy of the Form 1099 to your return.

If you do not have a Form W-2, see "Filing Your Return" on page 19.

Line 26 – 2006 California Estimated Tax and Payment with Form FTB 3519

Enter the total of any:
- California estimated tax payments you made using 2006 Form 540-ES;
- Overpayment from your 2005 California income tax return applied to your 2006 estimated tax; and
- Payment you sent with form FTB 3519, Automatic Extension for Individuals.

Note: To view payments you have made and/or to obtain your current account balance, go to our Website at **www.ftb.ca.gov** and search **view payments**.

If you and your spouse paid joint estimated taxes but are now filing separate income tax returns, either of you may claim the entire amount paid, or you may each claim part of the joint estimated tax payments. If you want the estimated tax payments to be divided, notify the FTB before you file the tax returns so the payments can be applied to the proper account. The FTB will accept in writing, any divorce agreement (or court ordered settlement) or a statement showing the allocation of the payments along with a notarized signature of both taxpayers. Send statements to:

JOINT ESTIMATED CREDIT ALLOCATION MS F225
TAXPAYER SERVICES CENTER
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO, CA 94240-0040

Show both social security numbers or individual taxpayer identification numbers on your separate returns. If you or your spouse made separate estimated tax payments, but you are now filing a joint income tax return, add the amounts you each paid. Attach a statement to the front of Form 540A explaining that payments have been made under both social security numbers or individual taxpayer identification numbers.

Line 27 – Excess California SDI (or VPDI) Withheld

You may be entitled to claim a credit for excess State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI) only if you meet **all** of the following conditions:
- You had **two or more** California employers during 2006;
- You received more than $79,418 in wages; and
- The amounts of SDI (or VPDI) withheld appear on your Forms W-2. Be sure to attach your Forms W-2 or CA Sch W-2 to your Form 540A.

If SDI (or VPDI) was withheld from your wages by a single employer at more than 0.8% of your gross wages, you may not claim excess SDI (or VPDI) on your Form 540A. Contact the employer for a refund.

To determine the amount to enter on line 27, complete the Excess SDI (or VPDI) Worksheet. If married filing jointly, figure the amount of excess SDI (or VPDI) separately for each spouse.

Excess SDI (or VPDI) Worksheet

Follow the instructions below to figure the amount to enter on Form 540A, line 27.

		You	Your Spouse
1. Add amounts of SDI (or VPDI) withheld shown on your Forms W-2 or CA Sch W-2. Enter the total here	1		
2. 2006 SDI (or VPDI) limit	2	$635.34	$635.34
3. Excess SDI (or VPDI) withheld. Subtract line 2 from line 1. Enter the results here. Combine the amounts on line 3 and enter the total on Form 540A, line 27.	3		

Note: If zero or less, enter -0- on line 27.

Line 28 through Line 31 – Child and Dependent Care Expenses Credit

Claim this credit if you paid someone to care for your qualifying child under the age of 13, other dependent who is physically or mentally incapable of caring for him or herself, or spouse if physically or mentally incapable of caring for him or herself. To claim this credit, your federal adjusted gross income must be $100,000 or less. Complete and attach form FTB 3506**,** Child and Dependent Care Expenses Credit, included in this booklet.

Line 28 and Line 29

Enter the qualifying person's social security number (SSN). Do not enter more than one qualifying person's SSN on line 28 or line 29 from form FTB 3506, Part III. If you have more than two qualifying persons, enter only the first two qualifying persons listed on form FTB 3506, Part III, line 2.

Line 30

Enter the amount from form FTB 3506, Part III, line 8 (do not round this amount).

Line 31

Enter the amount from form FTB 3506, Part III, line 12 (do not round this amount).

Note: If you received a refund for 2005, you may receive a Form 1099-G, Certain Government Payments. The refund amount reported on your Form 1099-G will be different from the amount shown on your tax return if you claimed the Child and Dependent Care Expenses Credit. This is because the credit is not part of the refund from withholdings or estimated tax payments.

Line 33 – Overpaid Tax

If the amount on line 32 is more than the amount on line 24, your payments and credits are more than your tax. Subtract the amount on line 24 from the amount on line 32. Enter the result on line 33. This is the amount of your overpaid tax. If the amount on line 32 is less than the amount on line 24, go to line 36.

✓Tip Choose e-file and Direct Deposit and get your refund faster.

Line 34 – Amount You Want Applied To Your 2007 Estimated Tax

If you pay estimated tax, apply all or part of the amount on line 33 to your 2007 estimated tax. Enter on line 34 the amount of line 33 you want applied to your 2007 estimated tax.

An election to apply an overpayment to estimated tax is binding. Once the election is made, the overpayment cannot be applied to a deficiency after the due date of the return.

Line 35 – Overpaid Tax Available This Year

If you entered an amount on line 34, subtract that amount from line 33. Enter the result on line 35. Choose to have this entire amount refunded to you or make contributions to the California Seniors Special Fund or voluntary contributions from this amount. If you choose to make contributions, skip line 36 and go to the Contributions section.

Line 36 – Tax Due

If the amount on line 32 is less than the amount on line 24, your tax is more than your payments and credits. Subtract the amount on line 32 from the amount on line 24. Enter the result on line 36. This is the amount of your tax due.

There is a penalty for not paying enough tax during the year. You may have to pay a penalty if:

- The tax due on line 36 is $200 ($100 if married filing separately) or more; and
- California income tax withheld on line 25 is less than 90% of the amount of your total tax on line 24.

Increasing your withholding could eliminate the need to make a large payment with your tax return. To increase your withholding, complete Employment Development Department (EDD) Form DE 4, Employee's Withholding Allowance Certificate, and give it to your employer's appropriate payroll staff. Get this form from your employer or by calling EDD at **(888)** 745-3886. You can download the DE 4 at **www.edd.ca.gov** or use the online calculator by going to **www.ftb.ca.gov** and searching for **DE 4**.

Note: Form DE 4 specifically adjusts your CA state withholding and is not the same as the federal Form W-4, Employee's Withholding Allowance Certificate.

Use Tax

Line 37 – Use Tax – This is not a total line.

California use tax applies on purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person). For questions on whether a purchase is taxable, go to the State Board of Equalization's Website at **www.boe.ca.gov**, or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

You may report use tax on your income tax return instead of filing a use tax return with the State Board of Equalization. To report use tax on your income tax return, complete the Use Tax Worksheet on this page.

If you owe use tax but choose not to report it on your income tax return, you must report and pay the tax to the State Board of Equalization. To do so, download a copy of Publication 79-B, California Use Tax, from **www.boe.ca.gov**, or request a copy by calling their Information Center.

Note: Businesses that have a California seller's permit must continue to report business purchases subject to use tax on their sales and use tax returns.

Use Tax Worksheet

Round all amounts to the nearest whole dollar.

1. Enter your purchases from out-of-state sellers made without payment of California sales/use tax. See worksheet instructions on this page.	$ ________.00
2. Enter the decimal equivalent of the applicable sales and use tax rate. See tax rates on page 20	________
3. Multiply line 1 by the tax rate on line 2. Enter result here	$ ________.00
4. Enter any sales or use tax you paid to another state for purchases included on line 1. See worksheet instructions on this page.	$ ________.00
5. Subtract line 4 from line 3. This is the total use tax due. Enter the amount due on line 37. If the amount is less than zero, enter -0-.	$ ________.00

Use Tax Penalty

To avoid late payment penalties for use tax, report and pay the use tax with a timely filed income tax return.

Worksheet, Line 1, Purchases Subject to Use Tax

- Report items taxable in a California store. For example, include purchases of clothing, but not purchases of prescription medicine.
- Include handling charges.
- Do not include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that corresponds with the tax return you are filing.
- If you traveled to a foreign country and brought items back to California, generally the use tax is due on the purchase price of the goods you listed on your U.S. Customs Declaration less the $400 per-person exemption. This $400 exemption does not apply to goods sent or shipped to California by mail or other common carrier.
- If your filing status is "married filing separately," you may elect to report one-half of the use tax due or the entire amount on your income tax return. If you elect to report one-half, your spouse must report the remaining half on his or her income tax return or on the individual use tax return available from the State Board of Equalization (see discussion of Publication 79-B on this page).

Note: Do not report the following on your income tax return:

- Vehicles, vessels, and trailers that must be registered with the California Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.

Worksheet, Line 2, Sales and Use Tax Rate

- Enter the decimal equivalent of the sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. For example, the decimal equivalent of 7.25% is 0.0725, and the decimal equivalent of 7.375% is 0.07375.
- If you do not know the applicable rate, see the table on page 20, "Sales and Use Tax Rates by County." If you have questions regarding the use tax rate in effect in your area, go to the State Board of Equalization's Website at **www.boe.ca.gov**, or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

Worksheet, Line 4, Credit for Tax Paid to Another State

- This is a credit for tax paid to other states. You cannot claim a credit greater than the amount of tax that would have been due if the purchase had been made in California. For example, if you paid $8.00 sales tax to another state for a purchase, and would have paid $6.00 in California, you can claim a credit of only $6.00 for that purchase.

Contributions

You may make contributions to the funds listed on Form 540A, Side 2. See page 59 for a description of the funds.

Line 38 – Total Contributions

Enter the amount of your total contributions on line 38. If you did not make any contributions, enter no amount on line 38. If you show an amount on line 35, subtract the amount you contribute from the amount of overpaid tax. If you show an amount on line 36, add the amount you contribute to your tax due.

Amount You Owe

Line 39 – Amount You Owe

Add the amount on line 36, line 37, and line 38, if any, and enter the result on line 39.

To avoid a late filing penalty, file your 2006 Form 540A by the extended due date even if unable to pay the amount you owe.

Do not combine your 2006 tax payment and any 2007 estimated tax payment in the same check or money order. Prepare two separate checks or money orders and mail each in a separate envelope.

Other Payment Options

- **Electronic Funds Withdrawal** – Instead of paying by check or money order, you can use this convenient option if you e-file. Simply provide your bank information, amount you want to pay, and the date you want the balance due to be withdrawn from your account. Your tax preparation software will offer this option.
- **Web Pay** – Pay the amount you owe using our secure online payment service. Go to our Website at **www.ftb.ca.gov** and search for **payment options**.
- **Check or Money Order** – Make your check or money order payable to the "Franchise Tax Board." **Do not send cash.** Write your social security number (or Individual Taxpayer Identification Number) and "2006

Form 540A" on the check or money order. Enclose, but do not staple, any payment to your return. A penalty may be imposed if your check is returned by your bank for insufficient funds.

Note: Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

- **Credit Card** – Whether you e-file or file by mail, you can use your Discover/NOVUS, MasterCard, Visa, or American Express card to pay your tax (tax return balance due, extension payment, estimated tax payment, or tax due with bill notice). If you pay by credit card, do not mail form FTB 3519 to us. Call (800) 272-9829 or go to the Official Payments Corp. Website at **www.officialpayments.com**, and use the jurisdiction code 1555. Official Payments Corp. charges a convenience fee for using this service.

Convenience Fee

- 2.5% of the tax amount charged (rounded to the nearest cent)
- Minimum fee: $1

Example:
Tax Payment = $753.56 Convenience Fee = $18.84

When will my payments be effective?
Your payment is effective on the date you charge it.

What if I change my mind?
If you pay your tax liability by credit card and later reverse the credit card transaction, you may be subject to penalties, interest, and other fees imposed by the Franchise Tax Board for nonpayment or late payment of your tax liability.

How do I use my credit card to pay my income tax bill?
Once you have determined the type of payment and how much you owe, have the following information available:

- Your Discover/Novus, MasterCard, Visa, or American Express card
- Credit card number
- Expiration date
- Amount you are paying
- Your and your spouse's SSN or ITIN
- First 4 letters of your and your spouse's last name
- Tax year
- Home phone number (including area code)
- ZIP Code for address where your monthly credit card bill is sent
- FTB Jurisdiction Code: 1555

Go to the Official Payments Corp. Website at **www.officialpayments.com** and select Payment Center, or use the toll-free number at (800) 2PAY-TAX or (800) 272-9829. Follow the recorded instructions. Official Payments Corp. will tell you the convenience fee before you complete your transaction. Decide whether to complete the transaction at that time.

Payment Date : __________________

Confirmation Number: ___________________

If you cannot pay the full amount or can only make a partial payment for the amount shown on line 40, request monthly payments. For additional information regarding Installment Payments, see Question 4 on page 28.

Line 40 – Underpayment of Estimated Tax

You may be subject to an estimated tax penalty if your withholding and credits are less than 90% of your current tax year liability or 100% of your prior year tax liability, or if you did not pay enough through withholding to keep the amount you owe with your 2006 return under $200.

Is line 36 less than $200 ($100 if married filing separately)?

Yes Stop. You are not subject to an estimated payment penalty.
No Continue. You may be subject to an estimated payment penalty.

Is line 36 less than 10% of the amount on line 24?

Yes Stop. You are not subject to an estimated payment penalty.
No You may be subject to an estimate payment penalty, get form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

If you complete form FTB 5805, attach it to the back of Form 540A. Enter the amount of the penalty on line 40 and fill in the circle on line 40. Complete and attach form FTB 5805 if you claim a waiver of the penalty or use the annualized income installment method.

Note: The Franchise Tax Board can figure the penalty for you when you file your return and send you a bill. **Do not** reduce the amount on line 33 or increase the amount on line 36 by any penalty or interest amounts.

See page 45 for information on estimated tax payments and how to avoid the underpayment penalty.

Refund and Direct Deposit

Line 41 – Refund or No Amount Due

If you did not enter an amount on line 37 or line 38, enter the amount from line 35 on line 41. This is the amount that will be refunded to you. If the amount is less than $1, attach a written request to your Form 540A to receive the refund.

Subtract line 37 and line 38 from line 35. If the result is zero or more, enter the result on line 41. If the combined amount of line 37 and line 38 is more than line 35, enter the difference on line 39.

Line 42 and Line 43 – Direct Deposit of Refund

Direct deposit is fast, safe, and convenient. To have your refund directly deposited into your bank account, fill in the account information on Form 540A, Side 2, line 42 and line 43. Fill in the routing and account numbers and indicate the account type. **Do not** attach a voided check or deposit slip. See the illustration below.

Individual taxpayers may request that his or her refund be electronically deposited into more than one checking or savings account. This allows more options for managing your refund. For example, you can request part of your refund go to your checking account to use now and the rest to your savings account to save for later.

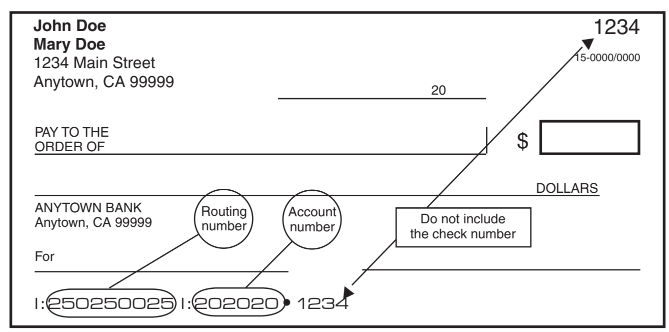
The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a paper check sent instead. On the sample check, the routing number is 250250025.

Check the appropriate box for the type of account. Do not check more than one box for each line.

Enter the portion of your refund you want directly deposited into each account. Each deposit must be at least $1. The total of line 42 and line 43 must equal the total amount of your refund.

Tip: Do not use a deposit slip to find the bank numbers. Contact your financial institution for assistance in getting the correct routing number.

Note: The Franchise Tax Board is not responsible when a financial institution rejects a direct deposit. If the bank or financial institution rejects the direct deposit due to an error in the routing number, the Franchise Tax Board will issue a paper check.



Sign Your Return

Sign your return in the space provided on Side 2. If you file a joint return, your spouse must sign it also.

Joint Return. If you file a joint return, both you and your spouse are generally responsible for the tax and any interest or penalties due on the return. This means that if one spouse neglects to pay the tax due, the other may have to. See "Innocent Spouse Relief" on page 6.

Mailing Your Return
Mail your return in the envelope provided in this booklet. If your return shows **a refund or no amount due**, be sure to attach the green label to the front of the envelope. If your return has an **amount you owe**, be sure to attach the white label to the front of the envelope.

If you have misplaced your envelope, see page 20, "Mailing your return" for the correct address. Or, you can also find the correct address to use by looking on Side 2, line 39 **(amount you owe)** or line 41 **(refund or no amount due)**.

Tip: CalFile or e-file and you won't have to do the math. Go to our Website at **www.ftb.ca.gov**.

Nonrefundable Renter's Credit Qualification Record

✓Tip e-file and skip this page! The software you use to e-file will help you find out if you qualify for this credit and will figure the correct amount of the credit automatically. Go to our Website at **www.ca.gov** to check your e-file options.

If you were a resident of California and paid rent on property in California, which was your principal residence, you may qualify for a credit that you can use to reduce your tax. Answer the questions below to see if you qualify. **Do not mail this record. Keep with your tax records.**

1. Were you a resident of California for the entire year in 2006?
Military personnel. If you are not a legal resident of California, you do not qualify for this credit. However, your spouse may claim this credit if he or she was a resident, did not live in military housing during 2006, and is otherwise qualified.
YES. Go to question 2. **NO.** Stop. File the Long or Short Form 540NR, California Nonresident or Part-Year Resident Income Tax Return. See "Order Forms and Publications" on page 67.

2. Is your California adjusted gross income the amount on Form 540A, line 14 or Form 540, line 17:
- $32,272 or less if single or married filing separately; or
- $64,544 or less if married filing jointly, head of household, or qualifying widow(er)?

YES. Go to question 3. **NO.** Stop here. You do not qualify for this credit.

3. Did you pay rent, for at least half of 2006, on property (including a mobile home that you owned on rented land) in California, which was your principal residence?
YES. Go to question 4. **NO.** Stop here. You do not qualify for this credit.

4. Can you be claimed as a dependent by a parent, foster parent, legal guardian, or any other person in 2006?
NO. Go to question 6. **YES.** Go to question 5.

5. For more than half the year in 2006, did you live in the home of the person who can claim you as a dependent?
NO. Go to question 6. **YES.** Stop here. You do not qualify for this credit.

6. Was the property you rented exempt from property tax in 2006?
You do not qualify for this credit if, for more than half of the year, you rented property that was exempt from property taxes. Exempt property includes most government-owned buildings, church-owned parsonages, college dormitories, and military barracks. However, if you or your landlord paid possessory interest taxes for the property you rented, then you may claim this credit.
NO. Go to question 7. **YES.** Stop here. You do not qualify for this credit.

7. Did you claim the homeowner's property tax exemption anytime during 2006?
You do not qualify for this credit if you or your spouse received a homeowner's property tax exemption at any time during the year. However, if you lived apart from your spouse for the entire year and your spouse received a homeowner's property tax exemption for a separate residence, then you may claim this credit if you are otherwise qualified.
NO. Go to question 8. **YES.** Stop here. You do not qualify for this credit.

8. Were you single in 2006?
YES. Go to question 11. **NO.** Go to question 9.

9. Did your spouse claim the homeowner's property tax exemption anytime during 2006?
You do not qualify for this credit if you or your spouse received a homeowner's property tax exemption at any time during the year. However, if you lived apart from your spouse for the entire year and your spouse received a homeowner's property tax exemption for a separate residence, then you may claim this credit if you are otherwise qualified.
NO. Go to question 11. **YES.** Go to question 10.

10. Did you and your spouse maintain separate residences for the entire year in 2006?
YES. Go to question 11. **NO.** Stop here. You do not qualify for this credit.

11. If you are:
- Single, enter $60 below.
- Married filing separately, if you and your spouse file separate returns, lived in the same rental property and both qualify for this credit, one spouse may claim the full amount of the credit ($120), or each spouse may claim half the amount ($60 each).
- Married filing jointly, head of household, or qualifying widow(er), enter $120 below. Enter this figure on Form 540A, line 19 or Form 540, line 28.

$ ___ ___ ___

Fill in the street address(es) and landlord information below for the residence(s) you rented in California during 2006, which qualified you for this credit.

	Street Address	City, State, and ZIP Code	Dates Rented in 2006 (From______to______)
a			
b			

Enter the name, address, and telephone number of your landlord(s) or the person(s) to whom you paid rent for the residence(s) listed above.

	Name	Street Address	City, State, ZIP Code, and Telephone Number
a			
b			

Voluntary Contribution Fund Descriptions

Make voluntary contributions of $1 or more in whole dollar amounts to the funds listed below. To contribute to the California Seniors Special Fund use the instructions for code 50 below. The amount you contribute either reduces your overpaid tax or increases your tax due. You may contribute to only the funds listed and cannot change the amount you contribute after you file your return. Go to our Website at **www.ftb.ca.gov** and search for **voluntary contributions**.

If you are using:

- Form 540A, enter the amounts you want to contribute on the line for the fund on Side 2. Enter the total contributions on line 38.
- Form 540, enter the amounts you want to contribute on the line for the fund on Side 2. Enter the total contributions on line 64.

Fund Name	Code	Description
California Seniors Special Fund	**50**	If you and/or your spouse are 65 years of age or older as of December 31, 2006, and claim the Senior Exemption Credit on line 9, you may make a combined total contribution of up to $182 or $91 per spouse. Contributions entered to this fund will be distributed to the Area Agency of Aging Councils (TACC) to provide advice on and sponsorship of Senior Citizens issues. Any excess contributions not required by TACC will be distributed to senior citizen service organizations throughout California for meals, adult day care, and transportation.
Alzheimer's Disease/Related Disorders Fund	**51**	Contributions will provide grants to California scientists who study Alzheimer's disease and related disorders. This research includes basic science, diagnosis, treatment, prevention, behavioral problems, and care giving. With one-half million Californians living with the disease and another 2 million providing care to a loved one with Alzheimer's, our state is in the early stages of a major public health crisis. Your contribution will ensure that Alzheimer's disease receives the attention, research, and resources it deserves.
California Fund for Senior Citizens	**52**	Contributions will provide support for the California Senior Legislature (CSL). The CSL are volunteers who prioritize statewide senior related legislative proposals in areas of health, housing, transportation, and community services. Any excess contributions not required by the CSL will be distributed to senior citizen service organizations throughout California.
Rare and Endangered Species Preservation Program	**53**	Contributions will be used to help protect and conserve California's many threatened and endangered species and the wild lands that they need to survive, for the enjoyment and benefit of you and future generations of Californians.
State Children's Trust Fund for the Prevention of Child Abuse	**54**	Contributions will be used to fund programs for the prevention, intervention, and treatment of child abuse and neglect.
California Breast Cancer Research Fund	**55**	Contributions will fund research toward preventing and curing breast cancer. Breast cancer is the most common cancer to strike women in California. It kills 4,000 California women each year. Contributions also fund research on prevention and better treatment, and keep doctors up-to-date on research progress. For more about the research your contributions support, please see our Website at **www.cbcrp.org**. Your contribution can help make breast cancer a disease of the past.
California Firefighters' Memorial Fund	**56**	Contributions will be used for the repair and maintenance of the California Firefighters' Memorial on the grounds of the State Capitol, ceremonies to honor the memory of fallen firefighters and to assist surviving loved ones, and for an informational guide detailing survivor benefits to assist the spouses and children of fallen firefighters.
Emergency Food Assistance Program Fund	**57**	Contributions will be used to help local food banks feed California's hungry. Your contribution will fund the purchase of much-needed food for delivery to food banks, pantries, and soup kitchens throughout the state. The State Department of Social Services will monitor its distribution to ensure the food is given to those most in need.
California Peace Officer Memorial Foundation Fund	**58**	Contributions will be used to preserve the memory of California's fallen peace officers and assist the families they left behind. Since statehood, over 1,300 courageous California peace officers have made the ultimate sacrifice while protecting law-abiding citizens. The non-profit charitable organization, California Peace Officers' Memorial Foundation, has accepted the privilege and responsibility of maintaining a memorial for fallen officers on the State Capitol grounds. Each May, the Memorial Foundation conducts a dignified ceremony honoring fallen officers and their surviving families by offering moral support, crisis counseling, and financial support that includes academic scholarships for the children of those officers who have made the supreme sacrifice. On behalf of all of us and the law-abiding citizens of California, thank you for your participation.
California Military Family Relief Fund	**59**	Contributions will be used to provide financial aid grants to members of the California National Guard who are California residents, and have been called to active duty.
Veterans' Quality of Life Fund	**60**	Contributions will be allocated to the Morale, Welfare, and Recreation Fund to provide additional funding for each of the veterans' homes.
California Sexual Violence Victim Services Fund	**61**	Contributions will be allocated to the State Department of Health Services for allocation to the California Coalition Against Sexual Assault (CALCASA) for the award of grants to support CALCASA rape crisis center programs for victims of rape and sexual assault.
California Colorectal Cancer Prevention Fund	**62**	Contributions will be allocated to the State Department of Health Services for making grants to foundations that qualify as exempt organizations and whose mission is the prevention and early detection of colorectal cancer. The grants shall contribute toward the expansion of community-based colorectal cancer education and culturally sensitive and appropriate prevention activities targeted toward communities that are disproportionately at risk or afflicted by colorectal cancer.
California Sea Otter Fund	**63**	The California Coastal Conservancy and the Department of Fish and Game will each be allocated 50% of the contributions. The California Coastal Conservancy will use the contributions for research and programs related to the near-shore ecosystem, including sea otters. The Department of Fish and Game will use the contributions to establish a sea otter fund within the department's index coding system for increased investigation, prevention, and enforcement action.